

Internal Revenue Service  
P.O. Box 2508  
Cincinnati, OH 45201

Department of the Treasury  
Director, Exempt Organizations

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Date: August 11, 2009

XXXX  
XXXX  
XXXX  
XXXX

Employer Identification Number:  
XX-XXXXXXX  
Contact Person - ID Number:  
  
Contact Telephone Number:

LEGEND

UIL: 4945.04-04

W= XXXX  
X= XXXX  
Y= XXXX  
Z= XXXX

Dear :

We have considered your request for advance approval of your grant-making program under section 4945(g)(1) of the Internal Revenue Code, dated February 11, 2008.

Our records indicate that W is a non-exempt charitable trust treated as a private foundation as defined in section 509(a).

Your letter indicates that W will operate a grant-making program called X.

The purpose of X is to enhance access to higher education, specifically for graduates of Y. Only graduates of Y will be able to apply for the scholarship, but the W looks to assist a number of those graduates through this scholarship. Twenty-one recipients are expected to receive assistance in the first year of the X. The recipient must attend a qualified educational institution as described in 170(b)(1)(A)(ii) and funds must be used for tuition, fees, or books. The scholarship is renewable annually.

Each potential recipient must complete an application process and scholarships will be granted based on academic merit. All applications will be sent to Z, an independent, non-profit scholarship administration service. The Z will then forward the applications to the Selection Committee of Y, subject to final approval of the Trustee of W. The Selection Committee shall be appointed by the Principal of Y who shall appoint at least three (3) members to serve on the scholarship Selection Committee.

After the selection is made, the Selection Committee provides the Z with a list of the nominees, and after final approval the Z will inform the winners as well as the unsuccessful candidates. The X will be awarded on an objective and non-discriminatory basis. The W has procedures in place to avoid all conflicts of interests within members of the Selection Committee and the Z.

The scholarship funds are given on a reimbursement basis. In order to receive the funds, at the end of the school year the recipient is to provide paid receipts for their tuition, fees, and books to the Z. The recipient will then receive the scholarship funds directly. Those who wish to renew their scholarship, in addition to providing paid receipts, must also provide transcripts of courses last taken. In the event the scholarship funds have been determined to be misused, the scholarship will be terminated and all funds are to be returned to the X. The Z will provide the W with all necessary information for documentation and recordkeeping purposes.

Sections 4945(a) and (b) of the Code impose certain excise taxes on "taxable expenditures" made by a private foundation.

Section 4945(d)(3) of the Code provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of subsection (g).

Section 4945(g) of the Code provides that section 4945(d)(3) shall not apply to individual grants awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance if it is demonstrated that:

- (1) The grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii);
- (2) The grant constitutes a prize or award which is subject to the provisions of section 74(b), if the recipient of such prize or award is selected from the general public, or
- (3) The purpose of the grant is to achieve a specific objective, produce a report or similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee.

Section 53.4945-4(c)(1) of the Regulations provides that to secure approval, a private foundation must demonstrate that:

- (i) Its grant procedure includes an objective and nondiscriminatory selection process;
- (ii) Such procedure is reasonably calculated to result in performance by grantees of the activities that the grants are intended to finance; and
- (iii) The foundation plans to obtain reports to determine whether the grantees performed activities that the grants are intended to finance.

Based on the information submitted and assuming your award programs will be conducted as proposed with a view to provide objectivity and nondiscrimination in making the awards, we have determined that, effective February 11, 2008, your procedures for granting the awards comply with the requirements contained in section 4945(g) of the Code and that awards granted in accordance with such procedures will not constitute "taxable expenditures" within the meaning of section 4945(d)(3).

In addition, we have determined that awards made under your procedures as of February 11, 2008, are excludable from the gross income of the recipients subject to the limitations provided by section 117 of the Code.

This determination is conditioned on the understanding that there will be no material change in the facts upon which it is based. It is further conditioned on the premise that no grants will be awarded to foundation managers, or members of the selection committee, or for a purpose that is inconsistent with the purpose described in section 170(c)(2)(B) of the Code.

The approval of your award program procedures herein, effective February 11, 2008, constitutes a one-time approval of your system standards and procedures designed to result in awards which meet the requirements of section 4945(g)(1) of the Code. This determination only covers the grant programs described above. Thus, approval shall apply to subsequent award programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you should maintain adequate records and case histories so that any or all award distributions can be substantiated upon request by the Internal Revenue Service.

This determination is directed only to the organization that requested it. Section 6110(j)(3) of the Code provides that it may not be used or cited as a precedent.

This letter supersedes our previous determination letter issued on December 22, 2008 regarding your scholarship selection procedures made under section 4945(g).

You must report any future changes in your grant making procedures. Please keep a copy of this letter in your permanent records.

We have sent a copy of this letter to your representative as indicated in your power of attorney.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Robert Choi  
Director, Exempt Organizations  
Rulings and Agreements